



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

SUMMARY OF THE MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM INVESTMENT COMMITTEE

HELD ON

Monday, September 14, 2009
2:30 p.m.

The Investment Committee (IC) of the Arizona State Retirement System (ASRS) met at 3300 N. Central Avenue, 14th Floor Conference Room, Phoenix, Arizona 85012. Mr. Tom Connelly, Chair of the IC, called the meeting to order at 2:33 p.m., Arizona Time.

Call to Order; Roll Call; Opening Remarks

Present: Mr. Thomas Connelly, Chair
Mr. Christopher Harris, Vice-chair
Mr. Lawrence Trachtenberg – via teleconference
Mr. James McLaughlin – via teleconference

A quorum was present.

Mr. Dave Byers, Chairman of the Board was also present.

1. Approval of the Minutes of the August 31, 2009, Regular Session IC Meeting

Motion: Mr. Tom Connelly moved the minutes of the August 31, 2009, Regular Session IC meeting be adopted as presented. Mr. Larry Trachtenberg seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

Mr. Paul Matson mentioned that the revised minutes from the July 27, 2009 meeting would be presented at the next IC meeting.

2. Presentation, Discussion, and Appropriate Action Regarding the IMD Investment House Views Dashboard

Mr. Gary Dokes, Chief Investment Officer, presented the IMD Investment House Views, which reflect the Investment Management Division's (IMD) perspective on the asset classes and investment strategies in which the ASRS currently invests. Mr. Dokes highlighted the new House View exhibit format that contains some of the primary market metrics and indicators followed by IMD which help to shape IMD's asset class valuation perspectives.

Tom Connelly asked which metrics are used to determine longer-term vs. shorter-term IMD House Views. Gary Dokes said that IMD does not necessarily characterize a metric as either short or long-term, however, as applicable; during future House Views discussions

IMD will articulate their short-to-intermediate- and long-term views of each asset class.

3. Presentation, Discussion, and Appropriate Action Regarding ASRS Asset Allocation Study (Part 3)

Mr. Allan Martin, Partner, New England Pension Consultants discussed an asset allocation policy scenario and its expected return/risk profile. The themes that NEPC discussed were: to reduce public equity exposure, re-structure non-U.S. equity exposure, re-structure fixed income allocation, increase private equity allocation, expand opportunistic allocation, consider an allocation to inflation linked assets, and explore risk parity strategies.

Mr. Chris Levell, Partner, NEPC discussed Risk Parity strategies.

In addition to the material NEPC presented, the IMD presented their perspectives on a wide range of asset allocation topics and offered asset allocation schematic scenarios that were discussed and debated.

Gary Dokes requested input and comment from IC Trustees on material presented and to provide direction to NEPC whom will incorporate into a proposed asset allocation policy schematic for discussion, modification and possible motion to recommend to the Board for approval at the Oct Board meeting.

In general, the IC supported some level of reduction in ASRS equity exposure, inclusion of an inflation-linked asset category allocation, a possible modest increase in allocation to private equity and an expansion of policy target ranges for opportunistic investments. Though the risk diversification benefits of risk parity strategies were recognized and consideration may be given for possible inclusion in ASRS asset allocation policy, the IC requested that further discussions occur regarding the risk parity strategies (e.g., strategy implementation, its use of leverage, etc.).

NEPC is expected to present to the IC over the next couple quarters information and analyses of available and possible prospective managers' risk parity strategies for discussion and consideration.

4. Presentation, Discussion, and Appropriate Action Regarding Director's Asset Class Committee Update

Mr. Dokes introduced the topic and provided the IC with an update regarding the activities that have occurred and are anticipated to occur with regards to the ASRS Private Equity Committee (PEC), Real Estate Committee (REC), and Opportunistic Investment Committee (OIC) and Public Equity/Fixed Income Markets Committee (PMC).

5. Future Agenda Items

Mr. Dave Byers would like to discuss companies focused on global warming (e.g. minimizing their carbon footprint and/or exploring environmental technologies). The Director and CIO will follow-up with Dave Byers regarding the timing and appropriate venue (IC or Board) for this proposed agenda topic.

6. Call to the Public

No members of the public requested to speak to the IC.

The meeting adjourned at 6:13 p.m.

Respectfully submitted,

Andriana Valentino, Secretary Date

Gary R. Dokes, Chief Investment Officer Date